ANALYZING THE EFFECT OF EMPLOYEE COMPENSATION ON EMPLOYEE INTENTION TO STAY

(Study in Bank SulutGo Head Office)

ANALISIS PENGARUH KOMPENSASI KARYAWAN TERHADAP KEINGINAN KARYAWAN UNTUK BERTAHAN
(Penelitian di Bank SulutGo Kantor Pusat)

By:
Caroline Anter[1]
S.L.H.V.J. Lapian[2]

[1,2]*Faculty of Economics and Business*
International Business Administration (IBA) Program
Sam Ratulangi University, Manado

email: [1]Allinanter@yahoo.co.id
[2]Joyce_Lapian@yahoo.com

Abstract: Nowadays, the human resource is an important part of a company. Important for a company to pay attention to their employees by giving compensation that the employee needed and take more attention of them to make them more loyal and have a great intention to stay and work in the company. Bank SulutGo Head Office is a big finance company in Manado that give many compensations. The objective of this research is to know about the effect of compensation on employee's intention to stay in the company by applying simple regression analysis. This research is for analyzing about the effect of employee compensation on employee intention to stay which used 100 employees' of Bank SulutGo Head Office as respondents. The result shown that compensation have effect on employee intention to stay. It can be seen from the result of R and R^2 that compensation has strong relationship with Intention to Stay. From T-test researcher got H_0 is rejected and H_1 is accepted and compensation influences on intention to stay. Researcher suggesting Bank SulutGo Head Office management to keep giving more diverse compensations and more attention to their employee needs.

Keywords: bank sulutgo head office, compensation, intention to stay

Abstrak: *Dewasa ini, sumber daya manusia adalah bagian penting dari sebuah perusahaan. Penting bagi perusahaan untuk memperhatikan karyawan mereka dengan memberikan kompensasi yang diperlukan dan lebih memperhatikan mereka untuk membuat mereka lebih loyal dan punya keinginan untuk bertahan dan bekerja di perusahaan. Bank SulutGo kantor pusat adalah sebuah perusahaan keuangan besar di Manado yang memberikan banyak kompensasi. Tujuan dari penelitian untuk mengetahui pengaruh dari kompensasi terhadap keinginan karyawan untuk tetap bertahan di perusahaan dengan menerapkan analisis regresi sederhana. Penelitian ini ditujukan untuk menganalisis pengaruh dari kompensasi terhadap kenginginan karyawan untuk bertahan dengan menggunakan 100 karyawan Bank SulutGo kantor pusat sebagai responden. Hasil menunjukan bahwa kompensasi mempunyai pengaruh terhadap keinginan karyawan untuk tetap bertahan. Hal tersebut dapat dilihat dari hasil R dan R^2 yang menunjukan kompensasi memiliki hubungan yang kuat dengan keinginan karyawan untuk bertahan. Dari T-test peneliti menemukan bahwa H_0 ditolak dan H_1 diterima serta kompensasi mempengaruhi keinginan karyawan untuk bertahan. Peneliti menyarankan pihak manajemen Bank SulutGo Kantor Pusat untuk memberikan Kompensasi yang beragam dan lebih memperhatikan kebutuhan karyawan.*

*Kata kunci***:** *bank sulutgo kantor pusat, kompensasi, keinginan untuk tinggal*

INTRODUCTION

Research Background

Competitions among companies these days are tight so, order to keep the high standard and extend their branches widely, the companies need good human resources. According to Aityan and Gupta (2012), today's business environment, corporations depend on their employees more than at any other time in the past. Human resources are the essential part of running a company, if the company's human resources have a good quality, the company can grow well.

There are 2 types of business, service and product. The example of a service business is banking. Human resources quality aspect is really important in this business. Among many financial companies in Indonesia, there is Bank SulutGo. Based on Bank SulutGo Annual Report (2014), their assets successfully grew to Rp. 2.910.175.000.000,00 or 37,28%, their Customer Deposits grow to Rp. 8.213.040.000.000,00 or 63,39% and loan portfolio (credit) amount increase become Rp. 7.365.720.000.000,00 or 30,27% which are higher than 2013.

From the official website of Bank SulutGo in 2015. It has achieved several awards such as WoW Brand Award 2015,Gold Champion of Indonesia WOW Service Excellence Award 2015, Top 1st "Finance" (Efficiency & Profit), Top 1 st "Finance" (Value Creation), Top Good Corporate Governance. According to its Head Director from their official website, Bank SulutGo has successfully added another 19 offices. Those 19 offices include branch offices, supporting branch offices, cash offices. In 2015 Bank SulutGo successfully added 11 Payment Points, 3 "Kas Keliling", 24 units ATM. Thus, Bank SulutGo has total of 92 offices spreading in North Sulawesi, Gorontalo, East Java, West Java. Bank SulutGo also changed its name from Bank Sulut to Bank SulutGo in 2015. Bank SulutGo employs 1.727 staffs. The researcher took the number of current employees from Bank SulutGo Head Office. (Bank SulutGo.co.id, 2016)

There are several types of compensations in bank SulutGo, they are : salary, meal allowance, overtime pay, IPC (Index Prestasi Cabang), incentive, employee welfare, religious holiday allowance, annual leave, children's school fees, uniforms, hospital care coverage. Bank Sulut has many direct and also indirect compensation, but every company must have the employee that has the intention to turnover, that's why researcher conduct this research. Employee loyalty means the ability to stay with the company in the long term. It is also means the loyal employee has high intention to stay. Therefore, this study is interested to analyze "The Effect of Employee Compensation on Employee Intention to Stay".

Research Objective

The purpose of this research is to know about the effect of compensation on employee's intention to stay in company.

THEORITICAL FRAMEWORK

Human Resources Management

Dessler (2011:4) defined human resources management is the process of acquiring, training, appraisal, compensating employees and attending to their labor relations, health and safety and fairness concerns. Human Resource is a distinctive approach to employement management which seeks to achieve competitive advantage through the strategic deployment of highly commited and capable workforce, using an array of cultural, structural and personnel techniques (Storey, 1955:5). Basically, every activity that relates to the company's employees from the top manager until labor is related to human resources management.
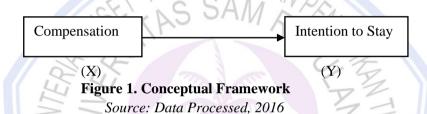
Compensation

Compensation for employee is a return and exchange between their employer and themselves, as their right for being an employee of the company or as a reward for a job well done. The pay individuals receive in return for the work they perform is usually the major source of their financial securities (Milkovich& Newman, 2005: 5). Gaol (2014:29) defined compensation is a things that received by employee, either in cash or others as reward that given for the effort of contribution that employees give to the company. Compensation is a form of reward that decided by rules to the employee by company.

Intention to Stay

Generally, intention to stay refers to the desire of workers to remain working in the current organization (Coombs, 2009; Ellenbecker, 2004 in Zin, Othman, & Pangil, 2012). Intention to stay is not a popular variable for research as compared to intention to leave as a review of currently available literatures shows that a majority of studies focuses on intention to leave (Allen, 2006; Spreitzer& Mishra, 2002 in Zin, Othman, & Pangil, 2012). According to Hewitt (2004), another researcher tend to do research about employee willingness to leave when researcher wants to know about employee willingness to stay in the company. Intention to stay mirrors the employee's level of commitment to his organization and the willingness to remain employed.

Previous Research

Sanjeevkumar & Wei, (2012) in A Case Study on Determinants of Human Resource Practices Influencing Retention of Employees in Kedah State Development Corporation Malaysia revealed that the compensation is found as the most significant positive factor to influence employees' intention to stay in the KSDC Company. Zin, Othman, & Pangil (2012) stated its result demonstrate that IT skilled workers can be retained when managers focus more on the monetary rewards, leadership and organizational support. Chew & Chan (2008) indicated that P-O fit, wages/salary and recognition were important part of commitment and intention to stay.

Figure 1. Conceptual Framework
Source: Data Processed, 2016

Research Hypothesis

The hypothesis is:

H_1: There is a significant effect of employee compensation on employee's intention to stay.

RESEARCH METHODS

Type of Research

For this research, the researcher decide to use causal method because the researcher intent to find the effect of compensation to employees intention to stay in the company. Sugiyono (2010:29) said that causal study refer to seek whether independent variable is assumed to affect dependent variable. Causal is used when the researcher want to know the relation of the variables.

Place and Time Research

This research conducted in Bank SulutGo started from March 2016 to April 2016.

Population and Sample

From Sekaran and Bougie (2010:262) "The population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, events, of things of interest for which the researcher wants to make inferences (based on sample statistics)" population is a group of people, events or things that researcher curious about and will try to prove the researcher hypotheses. The population of this research is the employee of Bank SulutGo Head Office. The amount of Bank SulutGo Head Office's employees are 301 people. Based on Sekaran and Bougie (2010:263) "A sample is a subset of the population. It comprises some members selected from it." Sample is a group of people, which is inside the population that already selected as a direct subject in research. Nasution and Usman (2007:32) defined sample as part of population which will be the object of the research. Based on Sekaran and Bougie (2009:271) simple random sampling is used when every element in the population has known and has an equal chance of being selected as a subject. Criteria of choosing the respondents are employed by Bank SulutGo Head Office. The Human Resources manager distributes the questionnaire because the researcher is not allowed to do so.

Data Collection Method

Primary data refers to information received first hand by the researcher on the variables of interest for the specific purpose of the study (Sekaran&Bougie, 2009:37). Secondary data is data that gathered by another researcher or people. Secondary data can be external and internal from the organization, could get from internet or published information such as books, and journals. (Sekaran and Bougie, 2010:180).

Operational Definition Research Variables
1. Compensation is an entitlement for being an employee of Bank SulutGo as a reward for a job well done.
2. Intention to stay refers to the desire of Bank SulutGo employee's to remain working in Bank SulutGo.

Measurement of Research Variables

This research variables will be measured by Likert Scale which is defined by Malhotra and Peterson (2006:209) The answer of every instrument items that use Likert scale have gradation from very positive to very negative.

Data Analysis Method

Reliability and Validity

"The reliability of measure indicated the extent to which it is without bias (error free) and hence ensures consistent measurement across the various items in the instrument" (Sekaran & Bougie, 2009:249).
They conducted by looking at the value of Croanbach Alpha with the following limitations:
1. If the reliability coefficient (alpha) is close to 1, it means very good.
2. If the reliability coefficient (alpha) is above 0.8, it means good.

If the reliability coefficient (alpha) is below 0.6, it means it is not good, or in other words, the measurement that has been made inconsistent or unreliable (Nasution & Usman, 2007:54).Sekaran and Bougie (2009:244) said that Validity of the measuring instrument is the extent to which the instrument is measuring what it is supposed to measure and not something else. The Reliability of a measure on the other hand, indicates the extent to which an instrument is error free and thus, consistent and stable across time and also across the various items in the scale.

Simple Linear Regression Analysis Model

The regression equation is given by:

Y= a+βX+e

Where :
Y   = the predicted variable
X   =the variable used to predict Y
a   = the intercept/point where the line cuts the y axist and the X=0
β   = the slope/ the change in y for any corresponding change in one unit of X
e   = error term associated with the observation

RESULT AND DISCUSSION

Reliability and Validity Test

Malhotra and Peterson (2006:273) stated that reliability refers to the extent to which a scale produces consistent results if repeated measurements are made. The reliability of measure indicated the extent to which it is without bias (error free) and hence ensures consistent measurement across the various items in the instrument" (Sekaran & Bougie, 2009:244). In this research, researcher used Croanbarch Alpha to test whether the research is reliable or not. Sekaran and Bougie (2009:244) said that Validity of the measuring instrument is the extent to which the instrument is measuring what it is supposed to measure and not something else.

Simple Regression Analysis
Table 1. Simple Regression Result

		Coefficients[a]											
	Model	Unstandardized Coeffciecients		Standardized Coeffciecients	T	Sig.	95.0% Confidence Interval for B		Correlation			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-Order	Partial	Part	Tolerace	VIF
1	(Constant) Variable	.481	1.809		7.452	.000	9.890	17.071					
		.040	.040	.207	2.090	.039	.004	.163	.207	.207	.207	1000	1000

a. Dependent variable : Variable Y
Source: Data Processed, 2016

Table 1. shows, the result of processed data of simple regression analysis, the equation of simple regression analysis of this research is :   **Y=0.481+0.084X+e**
The interpretation of the simple regression analysis result:
1. Constant value of 0.481 shows the influence relationship between Compensation (X) to Intention to Stay (Y). It means, that if the compensation is equal to 0 (zero), then the Intention to Stay (Y) is predicted to be 0.481.
2. Coefficient value of 0.084 means that if the independent variable in this research which is Compensation (X) increase by one point or one scale, it will increase the Intention to Stay (Y) by 0.084.

Coefficient Correlation (R) and Coeffficent Determination (R2)
Table 2. Result of R and R2

		Model Summary[b]		
Model	R	R Square	Adjusted R Square	Durbin-Watson
1	.607[a]	.524	.083	1.354

a. Predictors: (Constant), Variable_X

b. Dependent Variable: Variable_Y

Source: Data Processed, 2016

Table 2. shows, the value of R is 0.607. It means that the independent variable Compensation has positive relationship with Intention to Stay. The coefficient determinant (R^2) is the contribution percentage of independent variable to dependent variable. The value of R^2 is 0,524 or 52.4% means that Intention to Stay influenced by Compensation as much as 52.4% and the remaining percentage of 47.6% is not included in this research.

Hypothesis Testing
T-Test
Table 3. T-Test Result

		Coefficients[a]											
	Model	Unstandardized Coeffciecients		Standardized Coeffciecients	T	Sig.	95.0% Confidence Interval for B		Correlation			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-Order	Partial	Part	Tolerace	VIF
1	(Constant) Variable	.481	1.809		7.452	.000	9.890	17.071					
		.040	.040	.207	2.090	.039	.004	.163	.207	.207	.207	1000	1000

a. Dependent variable : Variable Y
Source: Data Processed, 2016

Table 3.shows that t_{count} for Employee Compensation (X) is 2.090. Value on t_{table} = 1.984. The result for Employee Compensation (X) is t_{count}= 2.090>t_{table} = 1.984 meaning that H_0 is rejected and H_1 is accepted. The result of this test can be used to declare that Employee Compensation (X) influences the Employee Intention to Stay (Y) significantly.

Discussion

Competitions among companies these days are tight. In order to keep the high standard and extend their branches widely, the companies need good human resources. According to Aityan and Gupta (2012), today's business environment, corporations depend on their employees more than at any other time in the past. Human resources are the essential part of running a company, if the company's human resources have a good quality, the company can grow well. There are 2 types of business, service and product. The example of a service business is banking. Human resources quality aspect is really important in this business.

Among many financial companies in Indonesia, there is Bank SulutGo. That achieved many awards and give many compensations for their employees. This study was conducted to analyze the effect of employee compensation on employee's intention to stay. The result indicated that the data in this research can be considered reliable and good from the result of reliability test which is. The Reliability Cronbach's alpha test is used in this research and the result is the data is reliable because it more than it supposed to be. In a validity test this research used MSA Correlation for testing whether the correlation index is valid or not in a research instrument by comparing MSA correlation with significance level. The result shows that the result of MSA correlation on each instrument is more than the standart value, which means that the data result for all variables are valid. The result of this research H_0 is rejected and H_1 is accepted means that the independent variable has significant influences on the dependent variable. T-test in this research also showed that the independent variable (Compensation) have significant influences on the dependent variable (Employee Intention to Stay). The result of T-test are obtained by comparing the value of T_{count} with T_{table} at the significance level of 5% (α = 0.05). The result shows that Compensation partially influences the Intention to Stay significantly. Thus H_0 is rejected and H_1 is accepted.

Employee Compensation on Employee Intention to Stay. Compensation has been proven to influence the Intention to Stay. By giving plenty compensation, and care to employees, company can get an employee loyalty which leads to employee intention to stay. If the employees are loyal, the company also can reduce some expenses which can make a win-win situation for both of the employee and the company. Most of the time company just concentrated to employee intention to leave rather than employee intention to stay.

CONCLUSION AND RECOMMENDATION
Conclusion

The conclusion from this research are:
1. Employee compensation significantly influences the intention to stay.
2. Intention to Stay influenced by Compensation as much as 52.4% and the remaining percentage of 47.6% is not included in this research.

Reccomendation

There for, several recommendations given are:
1. Bank Sulut Head Office keeps giving many compensations to their employee so their employee will like to work inside the company.
2. Even receiving many compensations, employee daily work/life balance are still lack and company need to more considerate about it.

REFERENCES

Aityan, S. K. & Gupta, T. K. P. 2012. Challenges of Employee Loyalty in Corporate America, *Business and Economics Journal*, Vol. 2012, No. 55. Accesed on 10th January, 2016. Pp.1.

Chew, J., & Chan, C. C. A. 2008. Human Resources Practices, Organizational Commitment and Intention to Stay. *International Journal of Manpower*, 29(6). Accesed on 13th January, 2016. Pp.503-522.

Dessler, G. 2011. *Human Resource Management*.13th edition.Garry Dessler, Pearson Education Inc. Singapore.

Gaol. 2014. *Human Capital: Manajemen Sumber Daya Manusia.* Grasindo, Jakarta.

Hewitt Associates. 2004. *Strategies for Cost Management of the HR Function.* Timely Topics Survey Results.

Malhotra, N.K., & M. Peterson. 2006. *Basic Marketing Research, A Decision Making Approach*. 2nd Edition. Prentice Hall, New York.

Milkovich, G. T., &Newman J. M. 2005.*Compensation*.The MC Graw Hill companies.Inc: Singapore.

Nasution, M. E., &Usman, H. M. 2007. *Proses Penelitian Kuantitatif* .Fakultas Ekonomi Universitas Indonesia. Jakarta.

Sanjeevkumar, V., &Wei, W. 2012. A Case Study on Determinants of Human Resource Practices Influencing Retention of Employees in Kedah State Development Corporation, Malaysia, *International Journal of Business and Social Research (IJBSR)*, Vol 2, No 2. Accessed on 1st March, 2016. Pp.1.

Sekaran, U., & Bougie., R. 2010. *Research Method for Business*. 6[th]edition. John Wiley & Sons Ltd., United Kingdom

Sekaran, U.,& Bougie, R. 2009. *Research Method for business*. 5th edition. Wiley, Americas, New York.

Storey, J., 1995. *Human Resource Management: Still Marching on, or Marching out? and Human Resource Management: A Critical Text.* Routledge. London.

Sugiyono., 2010. *Metode Penelitian Bisnis*. Alfabeta, Bandung.

Zin, M. D. L., Othman, S. Z., &Pangil, F., 2012, Compensation Practices and Transformational Leadership Influences on Intention to Stay: The Mediating Role of Perceived Organizational Support. *Knowledge Management International Conference (KMICe)*, Johor Bahru, Malaysia, Pp.453.

Bank Sulut., 2014. Bank Report_Annual Report 2014. http://www.banksulut.co.id/gambar/bankreport/bankreport-annual-report-2014-36.pdf. Accessed on 6th February 2016.

Bank Sulut.co.id. 2016. Awards. https://www.banksulutgo.co.id/awards. Accessed on 6th February 2016.